

**OUTLINE FOR THE
HOUSING
INDICATOR-BASED SECTIONS OF
THE CENTRAL-EAST EUROPEAN
COUNTRY MONOGRAPHS FOR
HABITAT II**

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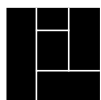
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THE TRANSITION OF CENTRAL-EAST EUROPEAN HOUSING SYSTEMS (1989-1994)

In most of the East-Central European countries the statistical information system could not follow the structural changes of the different parts of the housing sector. For this reason it is important to work out a series of special housing indicators to give the necessary background information.

Sections below give an outline for the discussion of the most important issues of the housing system in the period of transition. The fundamental changes in the structure of the housing system can only partly be shown by quantitative indicators; some important aspects are more qualitative in nature. Thus the problems discussed are illustrated by *qualitative descriptions* and *quantitative indicators*. At the end of each section we give

1. a list of questions, the answers on which are qualitative descriptions which help to understand the processes and give a background of the transition
2. a list of quantitative indicators which belong to the given issue and help to illustrate the discussion (indicator numbering refers to the list of indicators submitted separately).

A) CHANGING GOVERNANCE OF HOUSING

The transition of the central-east European countries is not a simple and one-way move, in which the centrally planned economy moves toward the market economy. The transition is a more complicated process, as old institutional relationships and processes are forced to disintegrate by political and social causes. Thus transition from centrally planned to market-type housing systems is a gradual process which includes changes in the legal, institutional and organizational spheres as well as in the “behaviour” of the economic actors (consumers, enterprises, government agencies). Despite the intention of the politicians (committed either to “shock” therapy or to more gradual changes) transition takes time and takes place at different speeds in the different countries. In many cases parallel to the disappearing of elements of the old system some elements of a new market system emerge and this leads to the coexistence of very different types of elements.

Housing was not a key aspect in the change of the socialist political and economic system around the end of the 1980s. As a consequence of the political and economic changes, however, housing policy also changed fundamentally.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1. Describe how important housing policy, production, and distribution were during the political discussions on transition.

#2. Summarize the legislative changes between 1989-1994, describing the changes in the institutional setup for housing at the central government level (ministries, other bodies) and the most relevant Government Acts. Were the changes of the housing sector happening spontaneously or controlled way?

#3. How has the role, responsibility of the central level been changed: are there still prescriptions/plans for housing output, are there still compulsory aims defined for the local governments, is there any central budget money allocated tied up to housing purposes, is there any minimum of social services defined?

#4. How has the role, responsibility of the local government level been changed? Has the transfer of ownership of public housing from the central to the local level been carried out? What resources do the local governments control (property, land, residential and commercial rent revenue, a share of housing-related revenues), what are their rights (eg rent setting, deciding on privatization, restitution) and what are their responsibilities (allocation of housing, issuing housing allowances, dealing with homelessness)?

#5. How has the role of other players of housing policy changed (do enterprises, employers have an important role in construction/allocation/subsidization of housing, are there any other players, such as insurance companies, non-profit organizations, semi-public housing associations, cooperatives, etc)?

#6. Were there any important changes in the regulation of migration, eg. liberation of moving in big cities? Was there any significant wave of international or internal migration which had effect on housing situation and housing policy?

QUANTITATIVE INDICATORS

There are no quantitative indicators describing the changes in the governance of housing. Indicators listed under section A of the indicator-system give a general background to the housing sector data.

<i>A.1 Population</i>	N, L	1980, 1990, 1994
<i>A.2 Age Distribution of the Population</i>	N, L	1980, 1990
<i>A.3 Net International Migration (only on national level)</i>	N	1990, 1994
<i>A.4 Net Internal Migration (only on local level)</i>	L	1990, 1994
<i>A.5 Number of Households</i>	N, L	1980, 1990, 1994
<i>A.6 Household Income and Distribution</i>		
<i>A.6.a Household Income by Income Quintiles</i>	N, L	1994
<i>A.6.b Household Income by Occupational Groups of Heads of Households</i>	N, L	1994
<i>A.6.c Household Income by Housing Sectors</i>	N, L	1994
<i>A.7 Number of Housing Units</i>	N, L	1980, 1990, 1994
<i>A.8 The 1990 Housing Stock by Construction Time</i>	N, L	1990

B.) HOUSING AND MACROECONOMIC STABILIZATION

Housing is one of the most important sectors in the economy with strong ties to the budget (subsidies), local governments, the financial sector, industry (and employment), and the legal system. Therefore dismantling the centrally planned housing system requires major changes in the most important sectors of the economy to work out an efficient market system. The socialist housing system had different time periods which were very different regarding how a substantial part of the budget was connected to housing purposes in the form of direct subsidies for new construction. Some countries tried to “reform” their housing system even before the collapse of the socialist political system by decreasing direct state subsidies, replacing them with indirect methods, such as interest rate subsidies or up-front subsidies extended to non-public housing forms.

Housing is one of the sectors in these economies which is considered to be in a deep crisis. One important question is how much of this crisis is due to the macroeconomic situation and how much to the housing sector, that is the lack of an efficient market system (assisted only where necessary by an efficient subsidy system).

In the debate of housing policy options one of the important issues is the possible effect of housing output on the recovery of the economy. The supporters of the idea to increase budget subsidies (or maintain the old costly subsidy system) for housing argue that increased housing investments even with deep subsidies have a positive effect on the GDP. It is a question whether in the transitional economies maintaining or renewing subsidised housing programs would have more benefits or, on the contrary, more social costs.

The other aspect of the connection between housing and the economy is the amount of work and/or financial means households put into housing. Housing is the most important expenditure and equity item in the household economy. In the centrally planned economy housing did not work under efficient incentives in the household economy, because of the wide and unpredictable subsidy system. One of the most important issues in the transitional economies is that the household economy (especially housing) should be integrated into the macroeconomy.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1.How much is inflation, is it controllable, what are the tendencies? How deep is the recession in the economy? Is the government deficit threatening the housing sector by serious cuts?

#2.Parallel with the decline of the economy, has the housing sector gone into a recession as well? In comparison with macroeconomic performance in general, is housing in worse or better shape?

#3.How is the level and proportion of housing-related central budget expenditures changing relative to other

budget expenditures? Is there any restructuring between the social sectors (housing, education, health care, etc) regarding government subsidies?

#4. Is there any view and/or policy aiming that housing could be a vehicle for economic growth?

#5. What is the role of the black economy in the housing sector?

QUANTITATIVE INDICATORS

This section includes the basic macroeconomic indicators as background for the Housing Indicators. The indicators B1 ... B8 are to be prepared by MRI on the basis of international statistical publications.

<i>B.1 Average Exchange Rate USD in national currency</i>	N	1980, 1990, 1994
<i>B.2 GDP</i>	N	1990, 1994
<i>B.3 Investment</i>	N	1990, 1994
<i>B.4 Unemployment Rate</i>	N	1990, 1994
<i>B.5 Inflation</i>		
<i>B.5.a Consumer Price Index</i>	N	1990-1994
<i>B.5.b Construction Price Index</i>	N	1990-1994
<i>B.5.c Income Index</i>	N	1990-1994
<i>B.6 Government Deficit</i>	N	1990, 1994
<i>B.7 Foreign Debt</i>	N	1990, 1994
<i>B.8 Share of Private Sector</i>	N	1990, 1994

C) THE STRUCTURE (MAIN SECTORS) OF THE HOUSING STOCK

One of the main characteristics of the East European Housing Model was the direct control of the state over the housing sector. This control functioned through

- (a) modifying the structure of the housing stock: eliminating “market” forms, such as private renting and directly prioritize state-controlled forms, such as public renting;
- (b) modifying the regulation of existing housing tenure forms (in order to have control over land, building material, loans, real estate transactions, ie. over all the important aspects of building and real estate activities).

The first type of control has been introduced (starting at the end of the 1940s) through nationalization and the creation of “deep-subsidy” systems, while the second type through a series of legislative changes and gradually introduced government practices. A very important characteristic of the socialist housing model was its centralized character, ie the most important policy and economic decisions of housing were taken at the central level.

After the collapse of the socialist system, from the beginning of the 1990s, housing systems changed from state-controlled towards market-oriented systems. The key aspect of the change is the lifting of direct state control over the housing system. This happened through

- (a) modifying the structure of the housing stock: decreasing the share of directly state-controlled housing forms, and eliminating all priorities of the state-controlled forms; and
- (b) modifying the regulation of existing housing tenure forms (lifting all control over the important aspects of building and real estate activities).

The first type of change has been carried out through privatization and restitution and the elimination of the “deep-subsidy” system, while the second type through legislative changes introducing market-type property relations.

Privatization (restitution) of the public rental sector became one of the most important issues in almost all the East-European countries. The magnitude (speed) of these processes is sometimes misleading because there can be huge differences in the conditions and terms (discount-level compared to the market price) of privatization and restitution. As an example we can mention privatization in Germany versus Russia: in the first case flats were sold close to market price, in the second (in the same time period) without any charge. Thus it is very important to have the background to be able to evaluate the quantitative indicators which deal with the speed of these

processes.

The *public rental sector* shrank in most countries as a consequence of privatization and restitution. This sector previously enjoyed a huge implicit subsidy (no access fee, low rent), which has been changed under the transition in most countries. In some of the countries local governments got real decision-making rights about the public rental sector (they can determine rents, privatization rules, allocation criteria, etc). In these countries there is a chance for the “higher rents, higher sales prices” option which could lead to an effectively functioning rental sector (which can even preserve its social functions in introducing means-tested housing allowances). In other countries privatization/restitution became a central government determined compulsory policy and local governments have little decision-making rights over their rental stock.

The legal constraints on the emerging *private rental sector* have been removed in most of the East-European countries. Even so, this sector is relatively small because of the still existing legal uncertainties, taxation problems and relatively low solvent demand of domestic social groups compared to the market prices of maintenance and renovation. In the future, however, this sector can gain in importance, especially in those countries where privatization and/or restitution was substantial and reduced very much the supply of public rental units.

Regarding *owner occupation*, the most important change was that constraints on ownership rights and limitations on family ownership (one family=one residential property) were removed immediately after the collapse of the East European housing system. The size and the significance of the owner-occupied sector has been increasing since then. In some countries the share of owner-occupied housing seems to be higher than it should be regarding the high and increasing proportion of poor people who should (in principle) live in the public rental sector.

As a consequence of all these changes the proportion of the main sectors has changed substantially in most East-Central European countries in the last 4-5 years. It is a question of debate whether it is obvious or not that a country with a higher share of the public rental sector also has a more socially-oriented housing policy or this could be achieved by other means (eg targetted subsidies).

A very important change was “decentralization”, transferring some part of the responsibility for housing from central to local level. As a consequence of privatization, marketization and decentralization of the housing system also the actors active in housing changed substantially: the role of the previously very powerful special actors (political institutions, important enterprises, etc.) decreased, most of them disappeared. On the other hand, new actors emerged (developers, financial institutions, etc) with completely new roles.

QUESTIONS FOR QUALITATIVE DESCRIPTION

1 THE MAIN HOUSING SECTORS

#1.What were the main changes in the structure of housing sectors during the transition: which sectors loose significance (eg cooperative sector, enterprise-owned housing) and which have increased in importance (eg owner-occupation, private renting)?

#2.Descriptive questions related to the public rental sector:

do tenants have to pay for the access to the flat (access fee, key-money);

a/ do tenants have any kind of property rights (eg the right of market exchange, inheritance, getting compensation if giving the flat back to the landlord);

b/ what type of contracts exist (contracts for limited/unlimited time, etc);

c/ what kind of allocation principles and methods are being used and how do these correspond to differences in rent levels;

d/ which level of government (central or local) controls the rent level

e/ Descriptive question: the regulation of rent (fee) in the given housing sector: what costs does the rent (fee) cover?

f/ how did tenant-protection change (is eviction possible and carried out in practice in case of non-

payment of rent in the public rental sector)?

	Subsector	below operation	operation	running repair	maintenance	profit
Public rental						
Private rental						
Other rental						
Owner Occ						
Other						

#1.Descriptive questions related to the private rental sector:

a/how dynamic is the development of this sector,

b/who are the typical landlords (small landlords with one flat, bigger landlords with some flats, companies with the ownership of whole houses),

c/who are the typical tenants? Are there typical “subsectors”, such as high quality private rental units for foreigners, lower quality units for domestic tenants, controlled subsector of “old” private tenancies?

d/is there any public regulation over private rents?

e/how high are rents compared to public rents (see C.8) what is the relation between the public and private rental sector: does the rental price distortion really affect (through the lower level of public rents) the functioning of the private rental sector or is there no substantial effect because the public rental sector is very much limited to low income families?

f/are the contracts officially registered or not (to avoid paying taxes)?

g/is there any tenant protection,

h/is there any public subsidy given to landlords to make private renting and maintenance investments attractive?

#2.Descriptive questions related to the other (semi-public) rental sector

a/What kind of public landlords exist other than local governments?

#3.Cooperative housing: give description of subtypes and how they were classified into the housing sectors.

#4.Descriptive questions related to the owner-occupied sector:

a/are there any restrictions on the ownership of private property (eg the number of properties a family can possess), on the sales price of properties, on the exchange of the units?

12. *STRUCTURAL CHANGES: PRIVATIZATION AND*

RESTITUTION

#5.Restitution:

a/ who has the right to decide what to retribute: the central government or the local government

b/ exact rules of restitution

c/ are there any compensation measures to those who were entitled for restitution but their property is not existing any more

d/ what are the rights of the tenants if private landlord takes over the property

e/ what happened if restitution and privatization were in conflict (tenants wanted to buy their flats but also a former landlord issued a claim)?

- f/ for countries where restitution of real estate property was not allowed, what kind of compensation system (cash, vouchers) have been introduced in order to compensate the former rightful owners of buildings/flats?

#6.Privatization:

- a/ who controls the privatization decision, ie who has the right to decide about the sale: the central government, the local government or is this right transferred to the tenants (Right to Buy)
- b/ is there any central regulation to determine sales prices and rules for discounts
- c/ what are the exact rules to determine the sales value and the level of discount
- d/ is there a well defined market value existing and if yes what is the sales price compared to market value of the property (C4)
- e/ what are the conditions to purchase: special discount for cash-payment, rules of paying on instalment, rules to pay with compensation vouchers
- f/ are there any restrictions on the resale of the flat on the real-estate market
- g/ practical examples (compare on individual cases the advantages and disadvantages of buying the flat instead of renting it: immediate and long-term financial conditions, the possibility to sell the property, etc)
- h/ what happens with the land and the non-residential (eg commercial) properties of the houses in the process of privatization: are these also privatized to the residential tenants or given to the commercial tenants or do these remain public property; what are rules for sales price and discount
- i/ is privatization to a new landlord (housing association, cooperative, private person), ie not to the sitting tenant, possible, what types of new landlords do exist?
- j/ what are the rights of the tenants if a private landlord takes over the property?

#7.Evaluation: how did restitution and privatization affect the housing situation of different social groups in the society?

1 **3. DENSITY AND QUALITY OF HOUSING**

#8.As a consequence of mass housing production in the 1970s and 1980s in some of the Central-East-European countries density indicators are not dramatically different any more from those of the Western European countries. Are there any other measures that show that density situation is still much worse in the CEE countries?

#9.As a consequence of increased investments into infrastructure in the 1970s and 1980s in some of the Central-East-European countries quality indicators are not dramatically different any more from those of the Western European countries. Are there any other measures that show that housing quality is still much worse in the CEE countries? (One sign is the lower level of upkeep and maintenance of expensive infrastructure systems, such as district heating systems.)

#10.Is it true that the nature of the problems is different in different types of settlements: in the bigger settlements the deterioration and obsolescence of the existing assets is the main problem, whereas in smaller towns and in villages the basic amenities and public facilities are mostly absent?

#11.Is there any generally accepted definition for a house/dwelling being “substandard”?

#12.Is there any reliable information on vacant flats; are there any regulations which would create incentives to rent-out flats which are not used as primary residences of households?

1 **4. HOUSING MARKET PROCESSES**

#13.what are the usual processes if a household wants to sell the flat (doing by themselves through advertisement, to contract brokers, etc), what kind of listing systems are functioning (eg Multiple Listing System, MLS)

#14.what effect did “give away” privatization have on the development of the free housing market and on the

submarkets

QUANTITATIVE INDICATORS

1 THE MAIN HOUSING SECTORS

Indicators C1-C2 describe the system of tenure forms in the housing stock (public rental, private rental, owner-occupied housing, other forms).

<i>C.1 Housing Stock by Sectors</i>		
<i>C.1.a Public Rental</i>	N, L	1990, 1994
<i>C.1.b Private Rental</i>	N, L	1990, 1994
<i>C.1.c Other (semi public) Rental Sector</i>	N, L	1990, 1994
<i>C.1.d Owner-Occupied</i>	N, L	1990, 1994
<i>C.1.e Other Housing</i>	N, L	1990, 1994
<i>C.2 The Main Housing Sectors by Building-Size</i>		
<i>C.2.a Total Number of Units</i>	N, L	1994
<i>C.2.b Housing units in multi-family buildings</i>	N, L	1994
<i>C.2.c Single family building</i>	N, L	1994

2 STRUCTURAL CHANGES: PRIVATIZATION AND RESTITUTION

Indicators C3-C8 describe the processes of privatization and restitution.

<i>C.3 Privatized Public Housing</i>	N, L	1990-1994
<i>C.4 Revenue from Privatization of Public Housing</i>	N, L	1990-1994
<i>C.5 Restituted Public Housing</i>	N, L	1990-1994
<i>C.6. Multi-family stock in mixed ownership buildings</i>		
<i>C.6.a Public rental units in mixed ownership buildings</i>	L	1994
<i>C.6.b Owner-occupied units in mixed ownership buildings</i>	L	1994
<i>C.7 Rent Index</i>		
<i>C.7.a In public rental sector</i>	L	1990-1994
<i>C.7.b In non-regulated private rental sector</i>	L	1990-1994
<i>C.8 Rental Price Distortion</i>	L	1990, 1994

3 DENSITY AND QUALITY OF HOUSING

Indicators C9-C15 show the main density and quality data.

<i>C.9 Floor area per person (H3 key indicator)</i>	N, L	1994
<i>C.10 Person per room</i>	N, L	1994
<i>C.11 Households per dwelling units</i>	N, L	1994
<i>C.12 Proportion of Vacant Units</i>	N, L	1994
<i>C.13 Infrastructure: Water and Sewer Supply</i>		
<i>C.13.a Percentages of dwellings with piped water supply</i>	N, L	1994
<i>C.13.b Percentages of dwellings with sewer supply</i>	N, L	1994
<i>C.14 Infrastructure: Modern Heating</i>		
<i>C.14.a District heating</i>	N, L	1994
<i>C.14.b Other central heating</i>	N, L	1994
<i>C.14.c Individual modern heating</i>	N, L	1994
<i>C.15 Fixed Bath or Shower</i>	N, L	1994

4 HOUSING MARKET PROCESSES

Indicators C16-C18 show basic data on house-prices and number of real-estate transactions (owner-occupied sector).

<i>C.16 Number of Real Estate Market Transactions</i>	N, L	1990, 1994
<i>C.17. Average Price of Housing Units in Real Estate Transactions</i>	L	1990, 1994
<i>C.18 House Price to Income in Real Estate Transactions</i>	L	1990, 1994

D) AFFORDABILITY

Besides direct state control over the institutional, financial, and social aspects of housing the other main characteristic of the East European Housing Model was control over income level of the population. According to socialist ideology prices and wages were kept on a low level. Thus, affordability had limited meaning in centrally planned economic systems, because low price levels (of rents, utility services) did not really place burdens on the population, despite the low income level. A natural consequence of the low sales price level of new construction was, however, the shortage of housing. This means that there were no affordability problems related to the continuous costs of existing housing and no affordability problems for those who obtained access to state-subsidized housing (public rental and heavily subsidized private multi-family housing). There were, on the other hand, affordability problems related to access to other private housing forms with lower state subsidy. Finally, the meagre private rental sector got no subsidies at all, thus families having no other possibilities than private renting spent a substantial part of their income on housing, facing huge affordability problems.

In the transition to a market system, as a consequence of the withdrawal of most deep subsidies, real affordability problems emerge in access and in continuous expenditures for housing as well, and in all sectors of the housing system. The size of the problems, however, is not the same because the pace of price increases (subsidy withdrawals) is different in the different parts of the housing system: there are huge differences in increases of utility prices, public rents, interest rates of loans, and such "market factors" as private rents, condominium fees.

The consequences of growing affordability problems can be seen first of all regarding the chances for access to housing. Housing forms with the most subsidies -- public rentals, public cooperative housing, owner-occupied housing built by the savings banks, etc -- have been abolished, supply-side subsidies disappeared, thus homebuyers are facing market housing forms with much higher housing prices than before, and experience a perceived sharp diminishment in affordability. The only substantial sector which is able to continue to develop housing during the transition is the one traditionally cut off from subsidies, the self-help sector, which had always had to rely most on cash payments and own work of the family.

Affordability also became a problem for those families who already possess a housing unit. Even where rents were not increased vary rapidly in many of the transitional countries, total housing expenditures have grown dramatically because of sky-rocketing utility prices (energy, water-sewage, etc). Economic restructuring meant for east Europeans that they had to become accustomed to the real costs of energy, water supply etc, and to the fact that the new prices contain not only costs but development costs as well.

The obvious sign of the growing affordability problems among tenants and owners of existing flats is the huge increase in arrears (regarding rent payments, utility payments, loan repayments). There are many reasons for the sharp increase in arrears:

- prices are increasing much faster than wages and subsidies to low income households.
- the lack of an effective targeted (means-tested) subsidy system,
- the bad paying behaviour of many families in connection with the lack of eviction and foreclosure procedures,
- the inefficient collecting system of utility companies.

In most cases it is difficult to separate the real effect of these factors. This separation, to explore the main factor for the given cases impact, would be a prerequisite to taking effective steps against the further increase in arrears.

Therefore affordability measures and efforts to separate the factors behind arrears are becoming very important in

expressing the performance of the housing system. In the case of the countries in transition, besides the “traditional” indicators of affordability (rent-to-income, house price-to-income), it is necessary to go more into the details to explore which parts of housing expenditures are causing the really substantial affordability problems. Another important set of information is the magnitude of arrears regarding the different housing expenditure items. Finally, it is important to have an overview on the measures taken against arrears.

Quantitative indicators in this block are related first to the methods to measure affordability, second to the problem of exploring the magnitude of arrears. Measures taken against arrears are mostly described with the help of qualitative descriptions.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1. What is the approximate weight of the following reasons for growing arrears:

- prices are increasing much faster than wages and subsidies to low income households;
- the lack of effective targeted (means tested) subsidy system;
- the bad paying behaviour of many families in connection with the lack of eviction and foreclosure procedures;
- the inefficient collecting system of utility companies.

#1. What are the measures taken against arrears on central and on local level? What are the legal rights given to the utility companies and how much are the tenants/owners protected against the following options:

- termination of the service
- agreement on paying the amount of arrears in installments

termination of the contract and eviction (foreclosure in the case of owner-occupied units).

QUANTITATIVE INDICATORS

<i>D.1 Rent to income (H2 Key Indicator)</i>		
<i>D.1.a Public Rent to income</i>	N, L	1990, 1994
<i>D.1.b Private Rent to income</i>	N, L	1990, 1994
<i>D.1.c Rent to income in other rental sector</i>	N, L	1990, 1994
<i>D.1.d Rent to income in total rental sector</i>	N, L	1990, 1994
<i>D.2 Housing Utility Expenditure to Income in the rental sector</i>	N, L	1990, 1994
<i>D.3 Housing Expenditures to Income in the Owner Occupied Sector</i>		
<i>D.3.a Condominium fee to Income</i>	N, L	1990, 1994
<i>D.3.b Housing Loan Repayment Expenditure to Income by owners</i>	N, L	1990, 1994
<i>D.3.c Housing Utility Expenditure to Income</i>	N, L	1990, 1994
<i>D.3.d Total Housing Expenditures to Income</i>	N, L	1990, 1994
<i>D.4 House Price Index (Median House Value)</i>	N, L	1990-1994
<i>D.5 House price -to-Income Ratio (H1 Key Indicator)</i>	N, L	1990, 1994
<i>D.6 Delinquency</i>		
<i>D.6.a Percentage of Tenants in Rent Arrears</i>	L	1994
<i>D.6.b Total Rent Arrears as a Percent of Total Rent</i>	L	1994
<i>D.6.c Percentage of Tenants in Utility Fee Arrears</i>	L	1994
<i>D.6.d Total Utility Fee Arrears of Tenants as a Percent of Total Utility Fee</i>	L	1994
<i>D.6.e Percentage of Owners in Utility Fee Arrears</i>	L	1994
<i>D.6.f Total Utility Fee Arrears of Owners as a Percent of Total Utility Fee</i>	L	1994
<i>D.7 Rental Eviction Delay</i>	N	1994

E) HOUSING PRODUCTION: THE DEVELOPERS, CONSTRUCTION COMPANIES AND THE LAND MARKET

Housing supply in the pre-transitional period basically consisted of three forms:

- (1) the big housing construction companies who worked with the banks (generally with the national saving bank), cooperatives and the Local Governments (using direct central budget sources) as developers who organized the whole process, financed the construction and sold the apartments with housing loans and subsidies.;
- (2) self-built housing, in which the future owner was the “developer”, general contractor, and to some extent the builder;
- (3) in the private sphere there was a *limited possibility* for private developers (lawyers and building cooperative managers) to step into the market, organizing a "building community" mainly in suburban areas, or in-fill inner city investment where the big companies did not have an interest.

The transition had a big impact on these development forms which raises some basic questions to be answered.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1.What is typical for for land supply: private supply, demolisson of the old unit and sell the land, private subdivision is allowed, public lands supply?

#2.Are there illegal (with building permission) landuse?

#3.Who are the new developers who appear creating a supply mainly for the top of the market

#4.How has the mainstream form of construction (new housing estates) been changed (disappeared or reduced)?

#5.How was the self-built sector influenced: has its weight decreased compared to the other sectors of the housing sector?

#6.How has the land market changed? Are there shortages on the land market? Is land a bottleneck in the housing supply or not?

#7.Who are the new developers who appear creating a supply mainly for the top of the market?

#8.How has the mainstream form of construction (new housing estates) been changed (disappeared or reduced)?

#9.How has the transformation of the big housing industry happened? Was it eliminated or these firms changed their forms and became little enterprises? Is there any new housing construction which use prefabricated elements? How can the developers supply housing units for low income households? Are there any new technologies for satisfying demands of these households?

#10.How was the self-built sector influenced: has its weight decreased compared to the other sectors of the housing sector?

#11.How can the actors (the local authorities, developers, constructions firms, banks) cooperate each other in the new situation?

#12.How has the land market changed? Are there shortages on the land market? Is land a bottleneck in the housing supply or not?

QUANTITATIVE INDICATORS

E1. Land cost/value ratio for newly constructed unit	L	1994
E.2 Land development multiplier (H6 key indicator)	L	1994
E.3 Land conversion multiplier	L	1994
E.4 Infrastructure expenditure per capita (H7 key indicator)	N	1994
E.5 New housing construction	N, L	1980, 1990, 1994
E.6 Housing Production (H9 key indicator)	N, L	1980, 1990, 1994
E.7 Housing Investment (H10 key indicator)	N	1990, 1994
E.8 Average size of the unit built in public and private stock		
E.8.a in sq.m	N, L	1980, 1990, 1994
E.8.b room number	N, L	1980, 1990, 1994
E.9 Construction Time	N, L	1980, 1990, 1994

<i>E.10 Developed vacant land by public holder</i>	L	1994
<i>E.11 Industrial concentration</i>	N, L	1980, 1990, 1994
<i>E.12 Construction cost</i>	N, L	1980, 1990, 1994
<i>E.13 Structure of the building industry</i>	N	1980, 1990, 1994
<i>E.14 Share of housing in construction industry output</i>	N	1980, 1990, 1994
<i>E.15 The distribution of investment into construction of dwellings</i>	N	1980, 1990, 1994

F) RESTRUCTURING OF THE HOUSING FINANCE SYSTEM

Housing is the most important expenditure and equity item in the household economy. In the centrally planned economy housing did not work under efficient incentives in the household economy, because of the wide and unpredictable subsidy system. One of the important issues in the transitional economies is that the household economy (especially housing) should be integrated into the macroeconomy.

Housing finance was part of the subsidy system in the pre-transition period. The restructuring of housing finance is of major importance in the transition towards a market economy. The reform in the financial sector is considered to be one of the most critical steps in the transition. Even with major institutional changes the state-owned banks are not able to adopt an entrepreneurial financial discipline. One of the most important questions of the transition is whether lending to the household sector and especially housing is considered a profitable activity, and how the legal system (lack of an efficient foreclosure system) helps the lending activity. Sometimes the low level of banking sector activity in the housing market could be due to the banks' attitude towards the profitable commercial loans. The government's practice to consolidate the banks with bad loans seems to support this activity. In countries with a high level of government deficit the attractive yields of low-risk government paper (the crowding out), the government's deficit financing undermines the incentives to place retail loans.

One of the indicators characterising the banking sector's housing activity is the rate of the housing loan stock in the whole loan stock, the housing credit portfolio (F.1). In the case of transitional economies the value of this indicator is expected to be lower than in other countries with the same level of GDP, the reason being that loans with fixed interest lost their value with high inflation.

The other aspect of the problem is the affordability issue. With high inflation and decreasing state subsidies, the banking sector cannot provide affordable loan. The credit to loan ratio (F.2) does measure the affordability. If this ratio is very low, the housing demand depends very much on the savings (by the broader family) and subsidies.

In the pre-transition period housing finance was centralised and in most of the countries it was one bank's (generally a savings bank) monopoly to deal with housing. The question of transition is whether there are new banks entering into housing finance, or it is still basically one bank's monopoly (not in the sense of legal regulation but in the sense of the natural monopoly).

Real changes could be expected by the privatization of the banks. The task of the government is to change a distorted banking sector as a precondition to the development of an efficient housing lending structure.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1.What happened to the loans issued before the transition?

#2.What was the most important burdens on the financial and government sector inherited from the pre-transition area? (Commitments for savers, temporary replacement of the expropriated households, households living restituted units, unfinished units, etc.)?

#3.Is there any contract savings schemes, when was it introduced and what type of subsidies involved ?

#4.Please give a list the type of the financial institution issuing housing loans.

#5.What are the typical loan instruments used in transition period? Are there any inflation-adjusted loans? How is housing finance lending being handled in the face of inflation?

#6.Have the private banks any role in housing finance?

#7.The credit risk and legislation issues: is the credit risk measured at national level, what are the legal background of the housing loan and foreclosure regulations?

#8.Are there any “group” loan issued?

QUANTITATIVE INDICATORS

<i>F.1 Housing credit portfolio (H8 key indicator)</i>	N	1990, 1994
<i>F.2 Credit to value</i>		
<i>F.2.a Credit to value I. (transactions with housing loans)</i>	N	1994
<i>F.2.b Credit to value II. (all transaction in the housing market)</i>	N	1994
<i>F.3 New housing credit</i>		
<i>F.3.a New housing credit I. (new housing loans to the total new loans in the economy).</i>	N	1994
<i>F.3.b New housing credit II. (new loans to new construction to the total new housing loans)</i>	N	1994
<i>F.3.c New housing credit III. (new loans to individual households to the total new housing loans)</i>	N	1994
<i>F.4 Housing loan concentration</i>	N	1990, 1994
<i>F.5 Housing loan to one-year deposit difference</i>	N	1990, 1994
<i>F.6 Average maturity of housing loans</i>	N	1994
<i>F.7 House price inflation to inflation</i>	N, L	1990, 1994
<i>F.8 Housing loan Arrears Rate</i>		
<i>F.8.a Percentage of Borrowers in Arrears</i>	N	1990, 1994
<i>F.8.b Total Housing loan Arrears Debt as Percentage of Total Housing loan Debt</i>	N	1990, 1994
<i>F.9 Foreclosure Delay</i>	N	1994

G) TAXATION OF HOUSING AND GOVERNMENT SUBSIDIES

Before the transition the housing sector enjoyed huge, mostly untargeted and partly invisible subsidies. Because of the growing constraints on government budgets, one of the most important issues in transition is the development of a more transparent and targeted subsidy system. In the country monograph the forms and the significance of the separate government subsidies should be described (tax advantages, subsidies etc.) and their effects on the affordability issue. Total subsidies should be decomposed into interest subsidies, production grants, housing allowances, tax exemptions, indirect subsidies (rent lower than market rent, land sold at below market price, etc), utility subsidies, others.

The housing subsidy system is the most important means for the governments to influence the housing sector. There are basically two sets of argument used to justify housing interventions. The first is to improve the efficiency of the housing system (for example, to stimulate growth in a time of recession), the second is to improve equity.

Analyzing the effects of "state intervention" it is important to examine the legislative background. Legal conditions influence the behavior of the participants of the housing market and the allocation process as well. In a wider sense "legal means" in the housing system comprises any element and/or means of control and regulation concerning the housing system.

National housing policies with regard to the subsidy system are quite complex, and it is important to differentiate the types of subsidies we are dealing with. One descriptive distinction to be made on subsidies is whether it is an actual state budget expenditure, or a remittance of a potential revenue i.e. tax expenditure. The operationalization of tax expenditure is disputable, and depends on the price elasticity of demand and supply. Another distinction is the difference between budget and off-budget subsidies. Tax expenditures are a part of off-budget subsidies, but at the local government level cross-financing is also an important part of off-budget subsidies. The form of subsidy

could be up front or longer term commitment in which a contribution is paid according to a certain schedule. The social policy allowance in Hungary is an up-front grant, while the repayment subsidy is a commitment by the government to pay a part of the housing loan repayment.

Most subsidies are limited to a certain sub-sector of the housing system. The effect of the subsidy depends very much on what kind of limitation is applied. Some of the most important criteria for this kind of restriction are:

- tenure form (rental, co-operative or owner occupation sector);
- new construction versus existing units
- type of settlement (urban versus rural, or the size of the settlement)
- type of housing (apartments or houses; inner city tenement houses, etc.)
- kind of construction and/or developers.

In general, the distorting effect of the subsidy correlates with the restrictions, but really the fact is that several sometimes inconsistent restrictions are applied and their simultaneous application can cause a problem.

Subsidies designed for equity reasons require targeting, and several methods of targeting can be applied. For example, number of children, age groups, household income, special occupations (miners, teachers etc.), social classes (blue collar workers), first-time buyer ("young" couples). Here again inconsistencies may be experienced, as certain aspects can exclude or contradict one another, and sometimes may give rise to a perverse selection of recipients. For example, a subsidy which is offered for young couples with children, may only be granted when acquiring a new flat, which may not be affordable for many young couples.

In evaluating the subsidy system some general ideas in the literature should be taken into consideration: targeting, transparency, efficiency and predictability of the subsidies.

QUESTIONS FOR QUALITATIVE DESCRIPTION

1. What types of the subsidies existed in 1990 and in 1994 in your country? (Please fill the table, and give detailed explanation, and try to provide data or estimates for the different categories) Use the sheet provided.
2. Please give information about the eligibility criteria for different subsidies.
3. Is any targeting methods used for the allocation of subsidies, please give detailed explanation?
4. What are main forms of housing taxation (transfer tax, capital gains tax, residential property tax, value added tax for new housing, etc) in 1990 and in 1994. Please fill the table and give detailed explanation, and try to provide data or estimates for the different categories)

See the sheets in the part of the indicators.

QUANTITATIVE INDICATORS

<i>G.1 Housing subsidies</i>		
<i>G.1.a Budget subsidies</i>	N	1990, 1994
<i>G.1.b Off-budget subsidies</i>	N	1990, 1994
<i>G.2 Share of targeted housing subsidies</i>	N	1994
<i>G.3 Housing Taxes</i>	N	1990, 1994

H) SOCIAL SAFETY NET ISSUES

As a consequence of the dramatic increase in affordability problems, social safety net issues gain in importance. To build up a social safety net is a new task for countries and local governments in transition and the lack of budget resources makes this task even more difficult.

Under the heading of “social safety net” we deal first with the problem to measure the social-type housing problems. In the transition countries most methods used earlier to measure social needs (waiting lists, calculating and forecasting the size of problematic social groups) were abolished. Thus new methods must be worked out to have approximate overview on homelessness, substandard housing, social needs.

Another set of indicators is designed to measure the different types of public interventions:

- measures taken up against homelessness.
- social rental housing allocation
- means-tested housing allowances given to tenants and/or owners,

There are of course also other forms of budget subsidies (interest rate subsidies to new builders, tax-deduction methods, rent-control forms, etc) which we discuss under the section on Government subsidies and taxation.

QUESTIONS FOR QUALITATIVE DESCRIPTION

#1Are there any standardized and/or legally accepted methods to measure minimum living standard (in general, not housing-related), and if yes, how big is the number of population below the poverty line on the national and local level?

#2Are there any standardized definitions for substandard housing (on national and local levels) and if yes how big is the number of this stock

#3Are there any standardized definitions for eligibility for social housing (on national and local levels) and if yes how big is the number of eligible population

#4Is there any central regulation that obliges local governments to set up waiting lists for social housing, and if yes, how many low income households are on the waiting lists who could be regarded as eligible for social housing?

#5What is the role of central/local governments in shaping policy and subsidization of social safety net programs?

#6Are there any housing forms besides public rental housing which have social elements in allocation?

#7Is there any central government law which obliges local governments to allocate new and vacated public rental dwellings according to social principles?

#8What type of principles are used in social housing allocation (income level, current housing situation, crowdedness, etc)? How are the different principles applied in the selection of the next family to be housed from the stock of eligible households?

#9Are there any entitlement programs (eg open-ended housing allowances) existing for low income households? Are these programs regulated on central or local level? Is there any central budget subsidy given to the local governments to finance these programs, and if yes, how is the central budget money allocated among the local governments?

#10Are the housing allowance programs available for all tenure forms (especially for owners and private tenants), are allowances covering rent and/or utility payments?

#11Are there any other forms of social safety net measures (eg indirect, filtration-type support or low-interest-rate loans or non repayable subsidies for low-income home buyers) existing? If yes, how many households were supported by the national/local government in the last year?

#12What are the main forms of helping homeless families or individuals?

QUANTITATIVE INDICATORS

<i>H1. Homelessness</i>	N, L	1990, 1994
<i>H2. Number of Beds in Shelters for Homeless people</i>	N, L	1990, 1994
<i>H3. Substandard housing stock by housing Sectors</i>	N, L	1994
<i>H.4 Social need for housing</i>	L	1990, 1994

<i>H.5 Social housing allocation</i>	N, L	1990, 1994
<i>H.6. Proportion of households who receive housing allowance</i>		
<i>H.6.a Proportion of Public housing tenants who receive housing allowance</i>	L	1994
<i>H.6.b Proportion of Private tenants who receive housing allowance</i>	L	1994

I) HOUSING MANAGEMENT AND URBAN REHABILITATION

Housing management is becoming an important issue for the transitional housing systems. Before the transition housing management was provided by

- state owned housing management companies (usually under local government control),
- by housing management cooperatives (mostly for the owner-occupied apartments on new housing estates)
- by the private sector (by the owners themselves or by hired labour in the case of condominiums).

These sectors were more or less strictly divided (here Hungary could be an exception as the state management companies contracted out almost 60 % of their work to the private sector).

The transition creates a big challenge to the housing management sector:

- in consequence of privatization state housing management companies lose the management monopoly on most of their units, because the new owners have the right to choose among the possible management companies;
- new private companies are being formed, creating competition on the market of the management of multifamily houses, which will influence the quality and price of the services.

Consequently, the legal and financial situation of the state (local government) owned management companies has to be changed.

Urban rehabilitation (substantial improvement of multi-family housing) was in the socialist period mostly the task of the government (on central and/or local level): rehabilitation meant public investment into the overwhelmingly public rental housing sector. After the transition the processes of restitution and privatization created completely different situation, where there are more actors with different interests. The main question in the new situation is how can the public hand introduce indirect regulations, subsidies to ensure a coordinated improvement of privately owned condominiums.

QUESTIONS FOR QUALITATIVE DESCRIPTION

1 HOUSING MANAGEMENT

#1.What is the extent of competition in the maintenance and management of the remaining public housing?

#2.What are the legal and institutional forms for the management of multifamily houses after privatization: are there any other organizational forms than condominiums and/or cooperatives? What are the definitions of the legal entities and what is the difference in the way management is organized? Who decides which form to take after privatization (is there obligatory central or local law or can the house decide)?

#3.Are there any tax advantages for the management companies?

#4.Do the tenants have any influence on the selection of management companies?

1 URBAN REHABILITATION

#1.What are the main subsidy forms (from the central and local government level) to support urban renewal?

#2.What are the regulatory possibilities for the public hand to ensure the coordinated improvement of privately owned condominiums?

#3.What is the decision-making structure and financial procedure of condominiums and cooperatives in the case of substantial renewal?

QUANTITATIVE INDICATORS

<i>I.1 Organizational form of housing management in multi-family housing stock</i>		
<i>I.1.a condominium</i>	L	1990, 1994
<i>I.1.b cooperative</i>	L	1990, 1994
<i>I.1.c other (e.g. public)</i>	L	1990, 1994
<i>I.2 Average number of units managed by maintenance companies</i>		

<i>I.2.a Public maintenance companies</i>	L	1990, 1994
<i>I.2.b Cooperatives</i>	L	1990, 1994
<i>I.2.c Private companies</i>	L	1990, 1994
<i>I.3 Market shares in management of buildings</i>		
<i>I.3.a public or publicly owned companies</i>	N, L	1990, 1994
<i>I.3.b private companies</i>	N, L	1990, 1994
<i>I.3.c cooperatives</i>	N, L	1990, 1994
<i>I.3.d individuals, private persons</i>	N, L	1990, 1994
<i>I.4 Average operating cost</i>		
<i>I.4.a Public maintenance companies</i>	L	1994
<i>I.4.b Cooperatives</i>	L	1994
<i>I.4.c Private companies</i>	L	1994
<i>I.5 Public Housing Management by Private Companies</i>	N, L	1990, 1994
<i>I.6 Public Housing Operating Cost to Rent</i>	N, L	1990, 1994

A/ THE FUTURE OPTIONS IN HOUSING POLICY - 1995 ONWARD

The country monograph should describe the policy options which are or should be under discussion to further restructure housing policy. The same structure should be used as in the case describing the period of transition:

- Housing policy and public administration, the future role of central and local governments
- Housing and macroeconomic stabilization (government budget policy and subsidies)
- The changing structure of sub-sectors (tenure forms), privatization and restitution, housing quality and density
- Options to solve affordability problems
- New housing production, land and infrastructure
- Restructuring the housing finance system
- Taxation of housing and government subsidies
- Social safety net issues
- Housing management and urban rehabilitation

What are considered to be the main problems future housing policy wants to address (shortage, affordability, inequality, improvement or other)? What is the optimal role designated for the central and local governments? Are there any medium and/or long term policy decisions regarding housing policy priorities?

What would be the critical areas in priority terms for external expert assistance in future housing policy development?

Glossary

Cooperatives

non-profit organization, housing association

publicly owned

multi-family housing

condominium

cooperatives

housing unit

Central heating provided dwelling is wick heated from either a central community heating center or from an installation built in the building or in the dwelling, established for heating purposes, without regard to the source of energy.

A household is people living together in same (part of) appartment, with an commun legal title for the dwelling with an completly or partly commun budget for living costs, and eating together several time a week.

Public Rental Sector. Includes rental dwelling units which are rented out for tenants by governmental bodies on all levels (central bodies, provinces, regions, counties, municipalities). Rent is usually controlled, below market level, in this tenure form.

Private Rental Sector. Includes rental dwelling units which are rented out for tenants by owners who can be private person or other institutions interested in profit.

Other Rental Sector Includes rental dwelling units which are rented out for tenants by owners who are non-profit making organizations (independent from the central/local government bodies): housing associations, cooperatives, foundations or other bodies. Rent is usually controlled, below market level, in this tenure form.

Owner occupied Sector Includes dwelling units in which the same family lives who is the owner of the flat.

Mixed ownership building. Buildings containing public rental and owner occupied dwelling units as well. The typical form of mixed ownership buildings is the condominium.